



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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REGULAR BOARD MEETING

July 27, 2005

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on July 27, 2005.

Board Members Present:

Kelly Fox, Chair
Doug Cochran
Pat Hepler
Jeff Holy
Mark Johnston
Maureen Morris
David Moseley
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Sandy Matheson, Department of Retirement Systems'
Martin McCaulay, Office of the State Actuary

Board Members Not Present:

Jack Simington, Vice Chair
Representative Geoff Simpson
Michael Edwards

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m.

1) May 25, 2005 Board Meeting Minutes

It was moved that the May 25, 2005 Board meeting minutes be adopted with a correction to page three, #9. Minutes should reflect three active fire fighters rather than two.

MOTION CARRIED UNANIMOUSLY

Senator Parlette requested that the minutes provide more detail than just a summary of what took place at the meeting for those that were not in attendance.

**2) New Board Member Introduction – Steve Nelsen
Detective Jeff Holy**

Steve Nelsen, Executive Director, introduced Detective Jeff Holy from Spokane as the newest Board member to the LEOFF Plan 2 Retirement Board representing active law enforcement officers. Detective Holy's term continues until June 30, 2011.

Mark Johnston was reappointed to a new term representing active firefighters until June 30, 2011.

Senator Linda Evans Parlette was reappointed by the Senate.

**3) Department of Retirement Systems' Presentation
Sandy Matheson, Executive Director**

Sandy Matheson, Executive Director with the Department of Retirement Systems (DRS), presented the Board with the *LEOFF 2 Customer Satisfaction Survey Results*. The survey included LEOFF as well as other DRS administered systems. Overall, LEOFF customers are very satisfied with the service they receive from DRS.

Chair Fox requested a status update on the Memo of Understanding (MOU) and the Member Annual Statements. Ms. Matheson explained that the MOU is very close to completion with only one item remaining to complete. The Department is still in the process of preparing cost estimates for the Member Annual Statements, but that issue is close to completion as well.

4) Board Elections – Chair, Vice Chair, and Administrative Committee

Chair Fox stated that all of the current officers are willing to continue in their current board positions for the next term.

It was moved that the Board maintain the current slate of officers through September 2005. The topic of Board membership will be discussed again at the August 2005 Board meeting. Seconded.

MOTION CARRIED UNANIMOUSLY

5) Supplemental Contribution Rate Adoption – Greg Deam

Greg Deam, Senior Research and Policy Manager, presented the Board with a memo of proposed *2005 Supplemental Contribution Rates* as calculated by the Office of the State Actuary reflecting the necessary contribution rate increases resulting from legislation that passed during the 2005 legislative session. Mr. Deam provided the Board with the results

of an actuarial audit of the supplemental contribution rates from Oliver Consulting confirming the proposed rates were correct.

It was moved to adopt the Supplemental Contribution

Rate increases shown below effective September 1, 2005. Seconded.

MOTION CARRIED UNANIMOUSLY

	Members	Employers	State
SSB 5615	0.23%	0.14%	0.09%
SHB 1936	0.01%	0.01%	0.00%
Total	0.24%	0.15%	0.09%

6) Final Average Salary (FAS), Initial Consideration – Greg Deam

Greg Deam presented an Initial Consideration on *Final Average Salary (FAS)*. Mr. Deam's presentation included the current benefit formula ($2\% \times \text{Years of Service} \times \text{FAS}$), background information, as well as the various policy issues. Mr. Deam included a brief summary on the FAS in Washington State plans and other states.

Costs Associated with FAS - Martin McCaulay, Office of the State Actuary

Martin McCaulay, Associate Actuary with the Office of the State Actuary, presented the Board with a presentation on the costs of possible changes the 5-Year FAS Period in LEOFF 2. The presentation included the current formula, a 2-Year FAS, and a 3-Year FAS.

7) Administrative Update

Newsletter

Mr. Nelsen provided the Board with a copy of the most recent "*Dual Response*" newsletter that was mailed to members and employers in July. He went on to say that the staff has received positive feedback on the latest edition of the newsletter.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the August 24, 2005 Board meeting.

8) Catastrophic Disabilities, Initial Consideration – Tim Valencia

Tim Valencia, Senior Research and Policy Manager, presented an Initial Consideration on *Catastrophic Disabilities*. The report included a summary of the current disability provisions, a policy discussion to establish a special benefit for extreme disabilities, an overview of 2005 legislation, and benefit eligibility. Mr. Valencia also spoke on the issue of benefit integration involving Worker's Compensation and Social Security disability benefits.

9) \$150,000 Death Benefit for Occupation Illness, Preliminary Report – Tim Valencia

Tim Valencia provided the Board with a Preliminary Report on the *\$150,000 Death Benefit for Occupational Illness*. The presentation incorporated standard death benefits, special death benefits, occupational disease, worker's compensation, and federal benefits. Mr. Valencia's report included the two policy options listed below:

- Policy Option 1 - Include all occupational diseases in the special death benefit
- Policy Option 2 – Include some occupational diseases in the special death benefit

10) Executive Director COLA – Kelly Fox, Chair

Kelly Fox, Chair, discussed the Cost of Living Adjustment (COLA) that was approved by the Legislature for Washington State employees beginning in September 2005.

It was moved that the 2005 COLA be applied to the Executive Director. Seconded.

MOTION CARRIED UNANIMOUSLY

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for August 24, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:04 p.m.